



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1107: RULE ADOPTION & REVIEW REQUIREMENTS

Prime Sponsors:

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Summary Information

Overview. The bill directs state departments to complete a cost-benefit analysis for each new or amended rule, and requires additional reporting to the General Assembly.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures

Appropriations. The bill specifies that no appropriation is required; however, the fiscal note estimates that an appropriation of \$1.1 million to multiple state agencies is required in FY 2025-26 to implement the bill. See State Expenditures Section for estimated costs.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures	\$1,118,342	\$1,128,733
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	7.7 FTE	8.8 FTE

Table 1A
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$822,501	\$796,973
Cash Funds	\$148,991	\$162,823
Federal Funds	\$15,863	\$15,863
Centrally Appropriated	\$130,987	\$153,074
Total Expenditures	\$1,118,342	\$1,128,733
Total FTE	7.7 FTE	8.7 FTE

Summary of Legislation

The bill modifies state departments' rulemaking procedures and reporting requirements. Specifically, it requires a department to complete and submit a cost-benefit analysis (CBA) for each new or amended rule, including orders, licenses, permits, and rules affecting the direct reimbursement of vendors or providers with state funds. When reviewing rules, a department must also consider a rule's cost burden on the public and its residents.

The bill also requires departments to submit additional reports to the General Assembly, including recommendations for whether rules should be continued, modified or repealed, and a report on the revenue generated from permit and license fees established by rule. The General Assembly must vote to support or modify these recommendations.

Background

Under current law, administrative rules are promulgated in accordance with the Administrative Procedures Act, which permits an individual to request a CBA of a new or amended rule. The Department of Regulatory Agencies (DORA) consults with the requester to determine the scope of the analysis and determines whether a CBA is necessary. If required to do so, the principal department must complete the analysis at least ten days before the hearing on the rule.

In 2023 and 2024, the principal departments submitted about 460 and 420 rulemaking filings, respectively, to the Secretary of State's Office, as shown in Table 2 below.

Table 2
Rulemaking Filings by Department in 2023 and 2024

Department	2023	2024
Agriculture	9	9
Corrections	0	0
Early Childhood	10	8
Education	20	13
Health Care Policy and Financing	15	15
Higher Education	2	1
Human Services	35	24
Labor and Employment	27	25
Law	2	5
Local Affairs	5	3
Military Affairs	0	0
Natural Resources	52	45
Personnel and Administration	6	2
Public Health and Environment	67	92
Public Safety	19	11
Regulatory Agencies	98	111
Revenue	83	31
State	8	16
Transportation	2	2
Treasury	0	0
Total	462	418

Assumptions

The fiscal note assumes that state departments will complete a CBA on each rulemaking filing that is submitted to the Secretary of State, rather than each individual rule. A filing may amend or promulgate a single action of a rule, it may alter many, or it may promulgate all of an agency's rules in one document. The principal state agencies submitted about 460 filings in 2023 and 420 filings in 2024; the fiscal note assumes each department will submit the average number of filings between 2023 and 2024 in future years.

If the bill is assumed to require a CBA for each individual rule, the total number of required CBAs will increase from about 440 to an estimated 4,800 annually. State expenditures and workload across all state agencies would increase proportionally. See Technical Note.

The fiscal note further assumes that a CBA will take between 8 and 40 hours depending on the number of rules within each filing, and each rule's level of complexity. The fiscal note assigns a level of complexity to each department and bases the number of estimated rulemaking filings on a two-year average. This standard methodology is used across all agencies to establish consistent impacts from the provisions of the bill.

State Expenditures

The bill increases state expenditures across several departments by about \$1.1 million per year, beginning in FY 2025-26. These costs, paid from the General Fund, cash funds, and federal funds, are summarized in Table 3 and discussed below. Table 3 reflects costs upon full implementation in FY 2026-27, with total prorated expenditures in FY 2025-26 displayed at the bottom of the table.

Table 3
State Expenditures
FY 2026-27

Department	Staff Costs¹	Legal Costs	FTE – Personal Services	FTE – Legal Services	Total Expenditures
Agriculture	\$18,651	\$0	0.1 FTE	0.0 FTE	\$18,651
Corrections	\$0	\$0	0.0 FTE	0.0 FTE	\$0
Early Childhood	\$25,312	\$0	0.2 FTE	0.0 FTE	\$25,312
Education	\$25,067	\$0	0.2 FTE	0.0 FTE	\$25,067
Health Care Policy and Financing	\$39,645	\$0	0.4 FTE	0.0 FTE	\$39,645
Higher Education	\$0	\$0	0.0 FTE	0.0 FTE	\$0
Human Services	\$33,837	\$0	0.3 FTE	0.0 FTE	\$33,837
Labor and Employment	\$33,837	\$0	0.3 FTE	0.0 FTE	\$33,837
Law	\$0	\$0	0.0 FTE	0.0 FTE	\$0
Local Affairs	\$0	\$0	0.0 FTE	0.0 FTE	\$0
Military Affairs	\$0	\$0	0.0 FTE	0.0 FTE	\$0
Natural Resources	\$124,347	\$57,776	1.0 FTE	0.2 FTE	\$182,123
Personnel and Administration	\$0	\$0	0.0 FTE	0.0 FTE	\$0
Public Health and Environment	\$117,265	\$202,750	1.0 FTE	0.8 FTE	\$320,015
Public Safety	\$41,363	\$80,244	0.4 FTE	0.3 FTE	\$121,607
Regulatory Agencies	\$192,058	\$0	2.0 FTE	0.0 FTE	\$192,058
Revenue	\$100,393	\$0	1.0 FTE	0.0 FTE	\$100,393
State	\$36,188	\$0	0.5 FTE	0.0 FTE	\$36,188
Transportation	\$0	\$0	0.0 FTE	0.0 FTE	\$0
Treasury	\$0	\$0	0.0 FTE	0.0 FTE	\$0
FY 2026-27 Total	\$787,963	\$340,770	7.4 FTE	1.3 FTE	\$1,128,733
FY 2025-26 Total, Prorated²	\$713,933	\$340,770	6.3 FTE	1.3 FTE	\$1,118,342

¹ Centrally appropriated costs are included in staff cost estimates.

² FY 2025-26 total expenditures include a one-time software update of \$63,639 in the Department of Regulatory Agencies, which is not reflected in the department's staff costs. These costs are reappropriated to the Office of Information Technology.

Staff

Starting in FY 2025-26, expenditures in most state departments will increase to complete CBAs, generate new reports, determine the cost-burden of rules, conduct stakeholder meetings, and collaborate with the General Assembly on recommendations. To perform these tasks, state departments require a total of 7.4 FTE, allocated as follows:

- 0.1 FTE in the Department of Agriculture;
- 0.2 FTE in the Department of Early Childhood;
- 0.2 FTE in the Colorado Department of Education;
- 0.4 FTE in the Department of Health Care Policy and Financing;
- 0.3 FTE in the Department of Human Services;
- 0.3 FTE in the Department of Labor and Employment;
- 1.0 FTE in the Department of Natural Resources;
- 1.0 FTE in the Department of Public Health and Environment;
- 0.4 FTE in the Department of Public Safety;
- 2.0 FTE in the Department of Regulatory Agencies;
- 1.0 FTE in the Department of Revenue; and
- 0.5 FTE in the Department of State.

Expenditures in the Department of Health Care Policy and Financing are paid from the General Fund, the Health Care Affordability and Sustainability (HAS) Cash Fund, and federal funds. Expenditures in the Department of Natural Resources are paid from the Parks and Outdoor Recreation Cash Fund, the Wildlife Cash Fund, and the Energy and Carbon Management (ECMC) Cash Fund. All other state expenditures are paid from the General Fund. Staff costs and FTE are prorated in the first year based on the bill's effective date, and include standard operating and capital outlay costs.

Legal Services

Beginning in FY 2025-26, the Department of Natural Resources, the Department of Public Health and Environment, and the Department of Public Safety require about 2,500 hours of legal services, as follows:

- 432 hours to the Department of Natural Resources;
- 1,516 hours to the Department of Public Health and Environment; and
- 600 hours to the Department of Public Safety.

Legal counsel is related to rulemaking, implementation, and ongoing administration of the new CBA provisions and rule review process. Legal services are provided by the Department of Law at a rate of \$133.74 per hour.

Other Agency Impacts

The bill increases workload in the departments of Transportation, Local Affairs, Higher Education, Corrections, Military and Veterans Affairs, Treasury and Personnel and Administration to complete CBAs on a limited number of rulemaking filings. Additionally, workload will increase for the General Assembly in the Legislative Department to review additional reports and conduct committee hearings on recommendations. This workload is expected to be minimal and no change in appropriations is required.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are included in staff costs in the expenditure table above.

Technical Note

The bill does not specify whether individual rules or a single rulemaking filing are subject to the CBA requirement. The current practice in the Department of Regulatory Agencies allows a CBA requestor to determine the scope of the requested CBA. The fiscal note assumes that state agencies must complete a CBA for each filing, which may include modifications to individual rules or many rules simultaneously, as discussed in the Assumptions Section above.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to rulemaking and a principal department's review of all its rules on or after the bill's effective date.

State Appropriations

The bill specifies that no appropriation is required to implement the bill; however, the fiscal note estimates that the bill requires the following appropriations in FY 2025-26:

- \$15,927 from the General Fund to the Department of Agriculture, and 0.1 FTE;
- \$18,365 from the General Fund to the Department of Early Childhood, and 0.2 FTE;
- \$20,661 from the General Fund to the Department of Education, and 0.2 FTE;
- \$13,325 from the General Fund, \$2,538 from the HAS Cash Fund, and \$15,863 from federal funds to the Department of Health Care Policy and Financing, and 0.4 FTE;
- \$27,548 from the General Fund to the Department of Human Services, and 0.3 FTE;

- \$27,548 from the General Fund to the Department of Labor and Employment, and 0.3 FTE;
- \$66,374 from the Wildlife Cash Fund, \$35,740 from the Parks and Outdoor Recreation Cash Fund, and \$44,339 from the ECMC Cash Fund to the Department of Natural Resources, and 1.0 FTE. Of this amount, \$57,776 is reappropriated to the Department of Law, with 0.2 FTE;
- \$286,244 from the General Fund to the Department of Public Health and Environment, and 1.6 FTE. Of this amount, \$202,750 is reappropriated to the Department of Law, with 0.8 FTE;
- \$113,541 from the General Fund to the Department of Public Safety, and 0.7 FTE. Of this amount, \$80,244 is reappropriated to the Department of Law, with 0.3 FTE;
- \$199,542 from the General Fund to the Department of Regulatory Agencies, and 1.6 FTE. Of this amount, \$63,639 is reappropriated to the Office of Information Technology;
- \$71,145 from the General Fund to the Department of Revenue, and 0.8 FTE; and,
- \$28,655 from the General Fund to the Department of State.

Departmental Difference

The Department of Health Care Policy and Financing estimates that the bill will increase department expenditures by \$206,419 and 1.8 FTE in FY 2025-26 and \$214,532 and 2.0 FTE in FY 2026-27 and ongoing. This estimate assumes that the department will spend about 120 hours per CBA on 35 individual rules, rather than rulemaking filings. However, the fiscal note assumes that the department will conduct 15 CBAs annually on rulemaking filings, at a rate of 40 hours per CBA.

The Department of Public Safety estimates that the bill will increase department expenditures by \$415,214 and 2.7 FTE in FY 2025-26 and \$424,644 and 3.0 FTE in FY 2026-27 and ongoing. This estimate assumes that the department will spend 120 hours per week administering rules and creating reports. However, the fiscal note assumes that the department will conduct 15 CBAs annually, at a rate of 40 hours per CBA.

The Department of Revenue estimates that the bill will increase department expenditures by \$394,426 and 4.1 FTE in FY 2025-26 and \$440,712 and 5.0 FTE in FY 2026-27 and ongoing. This estimate assumes that the department will conduct over 500 CBAs on individual rules annually. However, the fiscal note assumes that the department will conduct 57 CBAs annually on rulemaking filings, at a rate of 40 hours per CBA.

State and Local Government Contacts

All State Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).